

**HOUSE JOURNAL**  
**of the**  
**SECOND EXTRAORDINARY SESSION**  
**of the**  
**ONE HUNDRED FIRST GENERAL ASSEMBLY**  
**of the**  
**STATE OF TENNESSEE**  
**MONDAY, NOVEMBER 1, 1999**  
**FIRST LEGISLATIVE DAY**

The Speaker invited the members into the Chamber and instructed the Sergeants at Arms to close the doors.

**READING THE PROCLAMATION**

The Speaker directed the Clerk to read the Proclamation of the Governor convening the General Assembly in Extraordinary Session: which is as follows:

**PROCLAMATION FROM THE GOVERNOR**

**WHEREAS**, the citizens of the State of Tennessee deserve and expect certain fundamental and necessary services from their state and local governments; and

**WHEREAS**, the delivery of these services to the citizens of Tennessee depends upon stable and predictable sources of revenue; and

**WHEREAS**, the state tax system was designed in the early and middle decades of this century and is poorly suited to support the State's needs and Tennesseans' sense of fairness; and

**WHEREAS**, although Tennessee manages its fiscal affairs in a conservative and prudent manner, its sources of revenue have not kept pace with the costs of providing essential and necessary services because the state system of taxation is out-dated given its heavy reliance on sales tax collections and the continuous erosion of business tax collections; and

**WHEREAS**, the elected representatives of the people, executive and legislative, recognize that it is imperative that Tennessee reform its tax system; and

**WHEREAS**, as the debate about how to accomplish fundamental tax reform goes forward, it is wise and prudent to consider all possible options, so that a fair and broad-based tax structure can be implemented; and

**WHEREAS**, it is recognized and generally agreed that the best and most efficient means of addressing this important consideration of Tennessee's tax structure is through an extraordinary session called pursuant to Article III, Section 9, of the Constitution of the State of Tennessee;

**NOW, THEREFORE**, I, Don Sundquist, Governor of the State of Tennessee, by virtue of the power and authority vested in me by Article III, Section 9, of the Constitution of the State of Tennessee, do hereby call the One Hundred First General Assembly of the State of Tennessee to meet and convene in a Second Extraordinary Session at the Capitol in Nashville at five o'clock (5:00) p.m. central standard time on Monday, November 1, 1999, for the purpose of:

- (1) Considering and acting upon legislation to amend statutes related to taxation, in particular legislation proposed by the Governor or any amendment thereto or any other legislation to amend statutes which fundamentally reform the tax structure of the State of Tennessee;
- (2) Considering and acting upon legislation, either independent or amendatory, as the General Assembly may deem necessary, revising, amending or adding to Tennessee's statutes pertaining to taxes and fees or repealing portions thereof or enacting new statutes pertaining to taxes and fees, including, but not limited to:
  - (a) the revision of the sales and use tax, including, but not limited to increasing, reducing, repealing, or amending the sales and use tax rate over all or on particular items or services, the imposition of a sales and use tax on other particular items or services; the elimination of the sales and use tax on certain other items or services; and the allocation of revenue generated by the sales and use tax;
  - (b) the enactment of taxes that maximize individual and business tax deductions for federal income tax purposes;
  - (c) the revision of taxation of business operations in Tennessee;
  - (d) the revision or elimination of taxation on income from stocks and bonds;
  - (e) the revision or elimination of taxation on inheritances;
  - (f) the revision of state gift and estate taxation;
  - (g) the revision of franchise and excise taxes;
  - (h) the revision of insurance related taxation or schedules of fees pertaining thereto;
  - (i) the revision of the current method of allocating and distributing tax receipts between state and county or municipal governments or creating a new system for such allocations and distributions

- (j) the amendment of current statutes pertaining to the earmarking or allocation of state and local tax revenues;
  - (k) the revision of schedules of fees;
  - (l) the amendment or repeal of existing taxes and fees and the enactment of new statutes levying taxes and fees;
  - (m) the enactment of any new statutes or revision of existing statutes necessary to implement any act concerning taxes and fees adopted by the General Assembly pursuant to this Call; and
  - (n) the revision of statutes relating to the collection of taxes and fees and the enforcement thereof;
- (3) Considering and acting upon legislation, either independent or amendatory, as the General Assembly may deem necessary, revising, amending, repealing or adding to Tennessee's statutes regarding limited liability corporations, limited liability partnerships, limited partnerships and general partnerships or the taxation thereof and any fee schedules related thereto;
  - (4) Considering and acting upon a resolution to amend Article II, Section 18, of the Constitution of the State of Tennessee relative to the vote required by the General Assembly to enact legislation to change tax rates, deductions, credits, time limitations or any other erosion of the tax base;
  - (5) Considering and acting upon legislation, either independent or amendatory, as the General Assembly may deem necessary, repealing, revising, amending or adding to Tennessee's statutes regarding the funding of state debt and covenants for the protection of persons who hold outstanding and unpaid bonds or obligations of this state;
  - (6) Considering and acting upon legislation to make appropriations sufficient to pay the expenses of the Second Extraordinary Session of the 101<sup>st</sup> General Assembly and the expenses of implementing any legislation enacted pursuant to this Call;
  - (7) Considering and acting upon a resolution to invite the Governor to address the Senate and House of Representatives, meeting in joint convention, on the reasons why a Second Extraordinary Session of the 101<sup>st</sup> General Assembly has been called; and
  - (8) Considering and acting upon a resolution, as provided for in Article II, Section 8, of the Constitution of the State of Tennessee, at the General Assembly's discretion, setting a date and time for the convening of the Second Regular Session of the One Hundred and First General Assembly.

IN WITNESS WHEREOF, I HAVE HEREUNTO SET MY  
HAND AND CAUSED THE GREAT SEAL OF THE STATE OF  
TENNESSEE TO BE AFFIXED THIS 25th DAY OF OCTOBER,  
1999.

/s/ Don Sundquist, Governor

Riley C. Darnell  
Secretary of State

The Governor, having issued his proclamation convening the One Hundred First General Assembly in Extraordinary Session, the House met at 5:00 p.m. and was called to order by Mr. Speaker Naifeh.

The proceedings were opened with prayer by Rev. Edwin Sanders, Metropolitan Interdenominational Church, Nashville, Tennessee.

Representative Langster led the House in the Pledge of Allegiance to the Flag.

#### ROLL CALL

The roll call was taken with the following results:

Present ..... 97

Representatives present were: Armstrong, Arriola, Baird, Beavers, Black, Bone, Bowers, Boyer, Briley, Brooks, Brown, Buck, Bunch, Buttry, Chumney, Cole (Carter), Cole (Dyer), Cooper, Curtiss, Davidson, Davis (Cocke), Davis (Washington), DeBerry J., DeBerry L., Dunn, Eckles, Ferguson, Fitzhugh, Ford, Fowlkes, Fraley, Garrett, Givens, Godsey, Goins, Gunnels, Hagood, Hargett, Hargrove, Harwell, Hassell, Head, Hood, Jackson, Jones S., Jones U., Kent, Kernell, Kerr, Kisber, Langster, Lewis, Maddox, McAfee, McCord, McDaniel, McDonald, McKee, McMillan, Miller, Montgomery, Mumpower, Newton, Odom, Patton, Phelan, Phillips, Pinion, Pleasant, Pruitt, Rhinehart, Ridgeway, Rinks, Roach, Robinson, Sands, Sargent, Scroggs, Sharp, Stulce, Tidwell, Tindell, Todd, Towns, Turner (Hamilton), Turner (Shelby), Walker, Walley, West, Westmoreland, White, Whitson, Williams, Windle, Winningham, Wood, Mr. Speaker Naifeh -- 97.

#### EXCUSED

The Speaker announced that the following member(s) has/have been excused, pursuant to request(s) under **Rule No. 20**:

Representative Bittle; illness.

Representative Caldwell; business reasons.



### ADOPTION OF TEMPORARY RULES

Rep. Hargrove moved that the current Officers, Appointments, and Rules for the Regular Session of the 101st General Assembly be made the Officers, Appointments, and Temporary Rules of the Second Extraordinary Session with the same notations and exclusions of the rules as were utilized during the First Extraordinary Session. In addition, the rules committee added a notation to our rules regarding the usage of cellular phones and pagers.

These notations and exclusions were approved by the members of the rules committee and were spread upon each member's desk as follows:

**RULE NO. 44 (b):** The prefile rule which states that bills must be prefiled by 4:00 p.m. in order to be introduced and passed the following day is set aside so as to allow bills and resolutions to be introduced as they are filed and be before the body.

**RULE NO. 49:** the 48 hour rule is set aside so that all bills moved from Calendar and Rules can be set on the next floor calendar.

**RULE NO. 59:** the rule dealing with notice provisions and messages lying over is set aside so that all bills from the Senate with messages could be announced and automatically placed on the next message calendar.

**RULE NO. 75:** the rule on meeting time provisions is set aside so that session can meet at hours other than 9:00 a.m. to 12 noon and 2:00 p.m. to 7:00 p.m.

**RULE NO. 80 (1):** is set aside so as to allow bills reported out of subcommittee to be heard on the next full committee calendar without waiting a week.

**RULE NO. 80 (1):** is set aside so as to allow bills reported out of committee to be heard in the next committee or sub-committee without waiting a week.

**RULE NO. 80 (1):** is set aside so as to allow bills to be considered by a standing committee immediately upon passage on second consideration without waiting a week.

**RULE NO. 77:** For bills filed after the tenth legislative day, requiring them to go before the delayed bills committee. This should be changed to the 5th Legislative day for purposes of the Second Extraordinary Session.

Additionally, the House rules committee approved the following addition to the rules of the House:

**RULE NO. ( )** Cellular phones and pagers shall be rendered inaudible and shall not be used in the House Chamber, the Galleries of the House Chamber, House Standing Committee hearing rooms, House Sub-Committee hearing rooms, and House Ad Hoc Committee hearing rooms while the House or committees of the House are in session.

The motion, seconded by Rep. McDaniel, was adopted.

A motion to reconsider was tabled.

**APPOINTMENT OF SELECT COMMITTEE**

Representative Hargrove moved that a committee be appointed by the Speaker to notify the Governor that the House of Representatives is ready for the transaction of business, which motion prevailed.

The Speaker appointed the following committee to notify the Governor: Representatives Langster, Sands, Newton and Patton. Representative Langster served as chair.

**APPOINTMENT OF SELECT COMMITTEE**

Representative Hargrove moved that a committee be appointed by the Speaker to notify the Senate that the House of Representatives is ready for the transaction of business, which motion prevailed.

The Speaker appointed the following committee to notify the Senate: Representatives Bowers, Briley, Hagood and Todd. Representative Bowers served as chair.

**RECESS**

The Speaker called a brief recess while these committees retired.

**RECESS EXPIRED**

The recess having expired, the Speaker called the House to order. Rep. Hargrove moved that the roll call be dispensed with, which motion prevailed.

**REPORT OF SELECT COMMITTEE**

Speaker Naifeh recognized Representative Langster, who reported that the Select Committee to notify the Governor had completed its business. The Committee report was accepted.

**REPORT OF SELECT COMMITTEE**

Speaker Naifeh recognized Representative Bowers, who reported that the Select Committee to notify the Senate had completed its business. The Committee report was accepted.

**RULES SUSPENDED**

Rep. Hargrove moved that the rules be suspended for the purpose of introducing House Joint Resolution No. 1 out of order; the motion, seconded by Rep. McDaniel, prevailed.

**House Joint Resolution No. 1** -- General Assembly, Joint Conventions - Governor's address on tax reform, Monday, November 1, 1999 at 5:50 p.m. by \*Hargrove.

On motion, the rules were suspended for the immediate consideration of the resolution.

On motion of Rep. Hargrove, the resolution was adopted.

A motion to reconsider was tabled.

### **SPEAKER'S REMARKS**

Members of the House...

These are trying times in Tennessee. Those of us who've been around for awhile have seen a few times when we wanted to stick our heads in the sand...pretend the problem would go away. It rarely ever does...and if it does, it's usually replaced by an even bigger problem.

Since last session ended, we've all been home listening. We've listened to the anti-income tax guys tell us who they've targeted for defeat. We've listened to the pro-income tax people tell us that tax reform is something that should have been done a long time ago. We've listened to pollsters tell us what we can and cannot do if we want to get reelected. We've listened to the press tell us what we will and will not do based on hall talk and the current rumor mill. And we've listened to the experts—the Dr. Bill Foxes, John Morgans, and Steve Adams, people we respect and people who've spent their entire lives making it their business to understand the ins and outs of the State budget.

We have had a number of listening tours across the state. And most important, we've listened to our constituents. The people back home, the people who sent us here in the first place. After all, these are the only people we really have to answer to. That sounds pretty simple, doesn't it? Just vote for what's best for your constituents. But wait a minute, it's not so simple...does that mean you vote for the side that sends the most mail or makes the most phone calls? I wish I had the answer for you, for all of us.

But regardless of what the Senate does, and regardless of what the House does, I would be remiss if I didn't recognize the Governor of this State for having the courage to speak and work for his convictions. Don Sundquist has certainly taken the proverbial "road less traveled". He is not running for another political office; he has only two more budget years to survive and he can retire, take it easy. There are enough budgetary "tricks" he could propose to get by that long. I commend him for standing, almost totally alone, taking the heat every day, pounding the pavement to get his message out. We can, if we choose, fault him for a lot of things—for recognizing the problem late in the game, for proposing a plan that makes everybody uncomfortable, for being stubborn enough to keep at it when everybody and his brother have told him NO. But one thing we can't fault him for is lack of courage. He's set an example for all of us in that department.

Ladies and Gentlemen, our Great State has a problem. When the deficit represents more than 50 percent of the State's total discretionary dollars, we have a serious problem. I support the freedom of open debate as we enter this Special Session. I support the freedom of each and everyone to decide what to do about our problem. But remember...the freedom to choose brings consequences. Whether you're for true tax reform, or increasing the taxes we have, or cutting programs, or other alternatives that some of you might have in mind, remember this. We don't always know before we make a decision whether it's the right one or not. Sometimes we have to make a decision and then make it the right one.

Douglas Mac Arthur said: "The world is in a constant conspiracy against the brave. It's the age-old struggle—the roar of the crowd on one side and the voice of your conscience on the other."

One thing is for sure. Sticking our heads in the sand won't work this time. What we do—or do not do—on the issue before us will have far-reaching consequences. Better, if need be, that they be consequences of political lives than the lives of our children. Let's be sure if there are victims, that they are only those of us in the Chamber.

### **REPORT FROM THE SENATE**

Senator Dixon reported that the Senate had completed its organization and was ready for the transaction of business. The Speaker accepted the Senate report.

### **MESSAGE FROM THE SENATE January 12, 1999**

Mr. Speaker: I am directed by the Senate to notify the House that the Senate has perfected its organization and is ready for the transaction of business for the Second Extraordinary Session of the 101st General Assembly.

CLYDE W. McCULLOUGH, JR., Chief Clerk.

### **INTRODUCTION OF BILLS**

On motion, the following bills were introduced and passed first consideration:

**\*House Bill No. 1** -- Taxes, Sales - Adds television shopping systems and mail order businesses to definition of "retailer"; excludes from definition of "retail sales" orders taken and sales made via on-line telecommunication systems until congress permits states to tax such sales. Amends TCA Title 67, Chapter 6. by \*Bowers, \*Jones U (Shelby), \*DeBerry L, \*Miller L. (SB3 by \*Henry)

**House Bill No. 2** -- Taxes - Enacts "The Comprehensive Tax Reform Law of 1999." Amends Titles 7, 12, 30, 57 and 67. by \*Head, \*McAfee. (\*SB1 by \*Rochelle, \*Elsea)

## ANNOUNCEMENTS

The Clerk announced that a copy of the Business Tax Study Committee is on file with the Clerk's Office and that the same is available for review.

## ROLL CALL

The roll call was taken with the following results:

Present ..... 97

Representatives present were: Armstrong, Arriola, Baird, Beavers, Black, Bone, Bowers, Boyer, Briley, Brooks, Brown, Buck, Bunch, Buttry, Chumney, Cole (Carter), Cole (Dyer), Cooper, Curtiss, Davidson, Davis (Cocke), Davis (Washington), DeBerry J., DeBerry L., Dunn, Eckles, Ferguson, Fitzhugh, Ford, Fowlkes, Fraley, Garrett, Givens, Godsey, Goins, Gunnels, Hagood, Hargett, Hargrove, Harwell, Hassell, Head, Hood, Jackson, Jones S., Jones U., Kent, Kernell, Kerr, Kisber, Langster, Lewis, Maddox, McAfee, McCord, McDaniel, McDonald, McKee, McMillan, Miller, Montgomery, Mumpower, Newton, Odom, Patton, Phelan, Phillips, Pinion, Pleasant, Pruitt, Rhinehart, Ridgeway, Rinks, Roach, Robinson, Sands, Sargent, Scroggs, Sharp, Stulce, Tidwell, Tindell, Todd, Towns, Turner (Hamilton), Turner (Shelby), Walker, Walley, West, Westmoreland, White, Whitson, Williams, Windle, Winningham, Wood, Mr. Speaker Naifeh -- 97.

## ENGROSSED BILLS

November 1, 1999

The following bill(s) have been examined, engrossed, and are ready for transmission to the Senate: House Joint Resolution(s) No(s). 1.

BETTY KAY FRANCIS, Chief Engrossing Clerk.

## MESSAGE FROM THE SENATE

November 1, 1999

MR. SPEAKER: I am directed to return to the House, House Joint Resolution(s) No(s). 1; concurred in by the Senate.

CLYDE W. McCULLOUGH, JR., Chief Clerk.

## RECESS MOTION

Rep. Hargrove moved that, pursuant to House Joint Resolution No. 1, the House stand in a brief recess prior to joining the Senate in Joint Convention for the purpose of hearing the Governor speak, at the conclusion of which the House would stand in recess until 9:00 a.m. on Tuesday, November 2, 1999, which motion prevailed.

**MONDAY, NOVEMBER 1, 1999**

**IN JOINT CONVENTION**

The hour having arrived, set by House Joint Resolution No. 1, the Senate met with the House in Joint Convention for the purpose of hearing a speech by the Governor on the reason for calling the Extraordinary Session.

The Joint Convention was called to order by Mr. Speaker Wilder, President of the Joint Convention.

On motion of Senator Crutchfield, the Senate dispensed with Senate Roll Call.

On motion of Representative Hargrove, the House dispensed with the House Roll Call.

The Chief Clerk of the Senate read the Joint Resolution authorizing the Joint Convention.

Representative Hargrove moved that the President appoint a Committee composed of six (6) members from the Senate and six (6) members from the House to notify the Governor that the Joint Convention is in session and awaiting his arrival, which motion prevailed.

Mr. President Wilder appointed Representatives Boyer, Ford, Lois DeBerry, Hargrove, McDaniel, Rinks and Senators Atchley, Davis, Elsea, Harper, Henry and McNally; to escort the Governor. Representative Lois DeBerry served as Chairperson of this Committee.

Without objection, the Joint Convention recessed pending the arrival of the Honorable Don Sundquist.

The Joint Convention was called to order by Mr. President Wilder.

Without objection, the roll calls of the Senate and House were dispensed with.

Mr. President Wilder recognized Speaker Pro Tempore Lois DeBerry at the entrance of the House Chamber.

Speaker Pro Tempore Lois DeBerry stated: "Mr. President, the Governor of the State of Tennessee!"

Mr. President Wilder asked the Committee to Escort the Honorable Don Sundquist to please come forward.

Mr. President Wilder introduced the Honorable Don Sundquist.

ADDRESS TO JOINT CONVENTION OF SPECIAL SESSION

GOVERNOR DON SUNDQUIST

*Governor Wilder,  
Speaker Naifeh,  
Members of the General Assembly,  
Assembled guests,  
my fellow Tennesseans...*

I thank you for the opportunity to discuss with you the very serious challenge facing our state. I want to express my appreciation to the speakers and to the leadership for their willingness to seek responsible solutions. As one who served in a legislative body for 12 years, I have a great respect for this institution and for our tradition of representative government. I particularly appreciate the productive working relationship we have enjoyed over the past five years. Because that relationship is strong, I know that you will forgive me tonight if I am blunt about what we must do.

I have issued a Call for a Second Extraordinary Session of the Tennessee General Assembly so that we may, together, complete the work left undone in the Spring of this year—the work of addressing our immediate budget shortfall and the more important work of adapting our outdated tax structure to the realities of the 21<sup>st</sup> century economy.

The way to begin an honest debate about tax reform is with the facts about our budget. You know them; it's important that our citizens know them too. These are the facts:

- Tennessee is one of the most fiscally responsible and best managed states; that's why we are one of the handful to earn AAA bond ratings. For the 20 years before I took office, state government spending grew at a rate of almost 11 percent annually. Since I took office, we've held spending growth to just over 4 percent. And most of that went to cover expenses we had no choice but to meet—funding our schools, meeting the TennCare mandates, complying with court orders.
- A large part of our 16½ billion dollar budget is not subject to our direct control. Almost half the budget consists of federal funds and pass-thru dollars, like college tuition and child support payments. A large portion of what's left is obligated: 3½ billion is earmarked for schools and colleges; 1.4 billion represents our share of TennCare's cost. We are under federal court order to improve mental retardation services. We've *been* under court order on prison capacity and conditions. Those two items require more than a half-billion dollars. Another 800 million is earmarked for highways; 600 million we share with cities and counties—and if you vote to stop sharing, it will be your fault that local property taxes go up or local services shut down. We have to pay for our bonds and debt service. The bottom line is, the state's truly discretionary spending is less than 600 million dollars.

These are the facts.

- TennCare, for all the problems we've wrestled with, is not the cause of our financial problem. TennCare costs us less than the federal Medicaid program. How much less? One thousand dollars per recipient per year less than what other Southern states spend per Medicaid recipient. And because our cost per recipient is only two-thirds of theirs, we can extend health care protection to 500 thousand other Tennesseans who wouldn't otherwise have it—and still pay less than we would to serve our Medicaid population alone.

I share your frustration at TennCare's problems—and not just the anecdotal problems that entertain talk radio audiences—but the more consequential problems affecting the lives and health of 1.5 million of our fellow Tennesseans. In addition to our tax reform bill, we are offering legislation to correct some of these problems. Others will require the cooperation of the federal government, which we are working hard to secure. But it's in our interest to try to make TennCare work because, whatever else we may think about it, it costs less than Medicaid and it is a better deal for our citizens and taxpayers.

These are the facts.

- We balanced the budget last spring only with gimmicks and 131 million dollars in one time money. You only get one-time money *one time*. Next year, before we do anything else, we have to replace those dollars.
- Our current tax system doesn't keep up with the growing demands our citizens place on essential government services. Some experts compare growth to inflation and say we're doing fine. But our costs aren't linked to inflation. We spend more on prisons because we put more criminals behind bars, because the courts have required us to house them in better prisons, and because our society has decided we're better off keeping more criminals in prison for longer periods of time. It doesn't have anything to do with inflation. Our prison population has risen 71% in a decade—should we have put most of those criminals on probation in order to keep prison growth equal to the rate of inflation? That's silly. But no sillier than some of what's been said about "runaway spending" and "high taxes".

These are the facts:

- We are 47<sup>th</sup> nationally in per capita spending.
- We are 50<sup>th</sup> in taxes.
- Neither of those rankings changes much under my Comprehensive Tax Reform Proposal. Our taxes will remain among the lowest in the nation. Our spending will be among the lowest in the nation. But we'll be able to meet our obligations and to make important investments for our future, to continue the progress we've made together in education and health care and welfare reform and children's services and criminal justice.

Why is Comprehensive Tax Reform better for Tennessee than what we have now?



For one thing, it lessens our dependence on sales taxes. Sales taxes do not grow with the economy. That's why Tennessee has had to raise sales tax rates every 5 to 8 years. That's why our sales taxes are among the highest in the nation.

Sales taxes are regressive; they impose a heavier burden on the poor, on elderly citizens on fixed incomes. Is it fair that we tax a single mother more heavily on her groceries than we tax some kinds of businesses in this state?

Even if fairness doesn't matter to you, it should concern you that we rely for most of our tax revenue on a tax that is dying. A generation ago, as the Comptroller points out, most of the "stuff" people bought was subject to sales tax. Today, 60 percent of what we spend is for services, which are not subject to sales tax and which cannot easily be made subject to sales tax. And more of our purchases are made over the Internet, which Congress says we cannot tax, or from catalogues. If we continue to rely on the sales tax to fund state government, we are hitching our wagon to a falling star.

These are the facts. They add up to a real budget crisis, with real consequences for real Tennesseans. If we agree on nothing else, can we at least agree that there's a problem and begin working to solve it?

You know from personal experience, *those of you who are veterans of legislative service*, that we have been brought to such a point before—and that we will be again—unless we reform our tax structure.

No one likes taxes. I don't. You don't want to vote for a tax bill. But I'll tell you this—you don't want to vote for the kind of cuts you'll have to make, either.

Over the course of this decade we have devoted most of our revenue growth to our schools, and even so we have barely kept pace with our neighbors. Merely adjusting the Basic Education Program for inflation and enrollment growth requires 73 million dollars annually—not for improvements—just to stay where we are. And where we are is 45<sup>th</sup> in the nation. You are the ones who are going to have to tell your school boards there's no more BEP money. You are the ones who will have to tell the young parents in your district why we can't decently fund their schools, why we can't reduce class sizes, why they still have portables beside their school buildings, why their teachers aren't going to get raises—again.

There are hundreds of thousands of children in our state, who have health care coverage only because we make it available: children who are born healthy and strong because we provided their mothers with pre-natal care; children who get regular check-ups, immunizations, and medicine when they get sick because we made Tennessee the first state in America to make health care coverage *universally available* to children. I cannot understand how those who oppose tax reform in the name of Tennessee's families can believe they help families by denying their children health care coverage. Maybe you can look a struggling family in the eyes and tell them we won't cover their kids anymore, I can't.

Three years ago, we joined together to pass welfare reform, and we've seen a 60 percent reduction in the number of employable adults on welfare. We made a bargain with those on Families First; we said we'd help them become productive, tax-paying citizens by easing their transition. We continue their health care coverage for up to 18 months while they get established in the workforce. They are the ones you will need to drop out of TennCare and maybe back onto welfare, if you want to try to save money by covering fewer people.

Our colleges and universities have made do with a decade of essentially stand-pat budgets while every state around us has made major commitments to higher education. We have fallen behind in important measures of quality to the point where 82 percent of our best high school graduates *don't even apply* to a college in Tennessee. We know that today's economy demands workers with more than a high school diploma. We know that only 16 percent of our citizens have college degrees and that we trail all but one of our neighbors in that regard. Maybe you agree with the Family Institute: they say we're admitting too many students who shouldn't be in college; they say we could save 145 million dollars a year if we went back to the standards of the mid-60's; they say we should sell or privatize six colleges—Austin Peay, Cleveland State, Chattanooga State, Shelby State, State Tech/Memphis, and the UT Space Institute. They say we don't charge enough for tuition. If you agree with them, you are the ones who will have to vote for these cuts. You are the ones who will have to explain to young Tennesseans why you want to make it harder and more expensive for them to get the education they need to succeed.

Tennessee ranks dead last in long-term care alternatives for older citizens anxious to stay out of nursing homes. Who among us would not want such a choice for our aged parents? Who among us would not want such a choice for ourselves? Our citizens say this is important to them. You and I say that it is important. But we cannot fund it; not even on the modest scale we discussed last spring. And without reform, we cannot begin to consider it next spring. And you are the ones who will have to break the news to our seniors, and to their baby boomer children.

You will have to go home and explain why you voted to retreat from our battle against crime and criminals. You are going to have to tell your district attorney general that there will be no more prosecutors to help with their caseload. You can explain to your constituents why our courts cannot expeditiously bring the accused to trial and the guilty to justice. You can take the credit when the DA's have to offer probation because our jails have no room for more offenders. You can explain that the state has reduced the number of troopers because we cannot afford the payroll. You can explain why the state isn't building any more prisons and has to release felons early to avoid over-crowding and federal court action.

Can you explain and defend votes like these easier and with a clearer conscience than you can explain and defend a vote for tax reform?

You need to vote for tax reform. If it makes it easier for you, you can blame it all on me. If it helps you back home, I will come to your district and make the case for reform to your constituents and supporters. I will defend you when demagogues of either party attack you for this vote.

Tax reform is the right way to balance our budget in the short term, and it's the right way to assure the long-term financial stability of our state. And I believe that those of you who have the courage to do what's right will be re-elected.

We have an opportunity to reform our tax code so that it is broad-based, fair and built on low rates—one of the lowest rates in the nation.

I propose a flat tax on income so that everyone pays the same rate. It is not progressive like in most states; it does not punish people for being successful. Neither is it regressive, taking a larger share of earnings from those least able to pay. At 3.75%, it applies at a rate lower than the top rates charged by any of our neighboring states. No one likes paying more taxes, and some of us obviously will. But what we pay will be less than we'd have to pay if we lived almost anywhere else in America.

Our sales taxes will be lower than those in all but one of our neighboring states. For a change, the cross border traffic of consumers looking for lower prices will work in our favor.

We don't stop there. We repeal the Hall Income Tax, which has long penalized retirees. We reform business taxes. We reform inheritance and gift taxes. We eliminate double taxation and fees. We simplify tax filings and reduce taxpayer disputes. We provide common sense protections for taxpayers acting in good faith. We close loopholes. We recommend a three-fifths "super majority" vote to raise the flat tax or the sales tax in the future. And if you want to make that a constitutional requirement, I'll support you.

Our proposal generates over 400 million dollars in additional revenue, but over 100 million of that will be paid by people who live in other states but work in Tennessee. And when we take into account the savings Tennesseans will realize by being able to deduct our flat tax from their federal income taxes, the net impact of our proposal is a savings to Tennesseans of over 40 million dollars.

I'm ready to work with you to pass reasonable, responsible, comprehensive tax reform. I'm open to your amendments and changes as long as they result in a tax structure consistent with the principles we've discussed these many months: it must be broad-based; it must be fair; tax rates must be low; it must produce enough revenue to meet the state's obligations; it must work in the kind of economy we have today.

I hope that we can produce such a package during this special session. But if we do not, you can expect that I will summon you back to try again. And if we have not addressed the problem by the end of January, I will send you a responsible and balanced budget, along with a way to pay for it. And if you still choose not to act, then it will fall to you to make the cuts required to balance the budget. I will have no part in it.

I'm not going to look into the eyes of our children and tell them we aren't going to give them a good education, we aren't going to help their parents keep them healthy, we aren't going to try to make their neighborhoods safe. I'm not going to tell our citizens that it's so important that we remain 50<sup>th</sup> in taxes that we're prepared to settle for 50<sup>th</sup> in everything else.

That will be on you.

What kind of state do you want to leave to our children and grandchildren? What will be the legacy of your service here in this capitol?

It's up to us.

Mr. President Wilder relinquished the gavel to Mr. Speaker Naifeh.

Mr. President Naifeh declared the purpose of the Joint Convention accomplished, thus the Joint Convention was dissolved.